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Colorado Considers Two Predatory Lending Bills

Add Colorado to the growing list of states who are dealing with the issue of predatory lending.

The Colorado House of Representatives and Senate have each had an anti-predatory lending bill introduced in the past month that community groups hope will eliminate the practice of lenders taking advantage of uneducated borrowers. But industry trade groups are concerned one of the bills is much too strict, and will force companies to stop originating loans in the state.

Both bills are awaiting hearings at the committee level. Peter Minahan, a lobbyist with the Colorado Financial Services Association, said that both committees are waiting to see if the other side acts first.

Minahan said the CFSA would support the House bill, which he terms as more lender-friendly. Among its provisions, it would limit prepayment penalties to the first 60 months after origination and would follow many of the triggers and restrictions set by the Home Ownership and Equity Protection Act, the federal version of anti-predatory lending legislation. HOEPA defines a high-cost loan as one with an interest rate that is 800 basis points above the yield on Treasury securities with comparable maturities.

The Senate bill's definition of a high-cost loan is also an 800-basis point cap, but it bans all prepayment penalties and financing of single-premium credit insurance, and mandates counseling for any borrower taking out a high-cost loan.

"The triggers and restrictions are too strict," Minahan said of the Senate bill. "We can support the House bill."

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